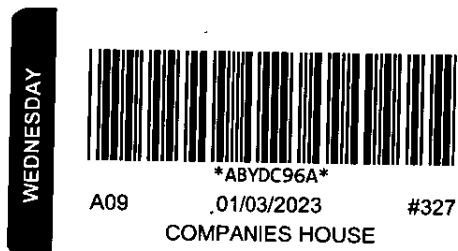


Company registration number 03847202 (England and Wales)

**REPLY LIMITED**

**GROUP ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**



# REPLY LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr F Rizzante Ms T Rizzante Mr D Angelucci Mrs F Rebuffat Mr J S Hill	(Appointed 31 March 2021) (Appointed 1 July 2022)
<b>Company number</b>	03847202	
<b>Registered office</b>	38 Grosvenor Gardens London SW1W 0EB	
<b>Auditor</b>	Nunn Hayward LLP 2-4 Packhorse Road Gerrards Cross Buckinghamshire SL9 7QE	

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# REPLY LIMITED

## CONTENTS

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	<b>Page</b>
Strategic report	1 - 6
Directors' report	7 - 9
Independent auditor's report	10 - 12
Group income statement	13
Group statement of comprehensive income	14
Group statement of financial position	15 - 16
Group statement of changes in equity	17
Group statement of cash flows	18
Notes to the group financial statements	19 - 50
Parent company statement of financial position	51 - 52
Parent company statement of changes in equity	53
Parent company statement of cash flows	54
Notes to the parent company financial statements	55 - 63

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# REPLY LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors present the strategic report for the year ended 31 December 2021.

#### Review of the business

The results for the group are as set out in the attached financial statements.

The group recorded a turnover of £183.8m (2020: £107.6m) which is an increase of 70.8% on the previous year and generated an operating profit of £16.5m (2020: £6.8m). The increase in revenue is due to a strong performance in the UK and Europe in consultancy services and has been generated mostly from existing customers. The group generated a gross profit of £65.9m (2020: £46.9m). The results for the year include the impact of the restructuring and disposal of the Benelux companies.

#### Key performance indicators

The directors are satisfied with the performance of the company and of the group during the year.

Management uses a range of performance measures to monitor and manage the business effectively. Certain measures are particularly important in the generation of shareholder value and are considered key performance indicators (KPIs). Turnover, operating profit and operating margin indicate the volume of work performed and the profitability:

	2021	2020
Turnover (£000)	183,840	107,610
Operating profit (£000)	16,470	6,789
Operating margin (%)	9.0	6.3

#### Future developments

The group is expected to continue with the principal activities as stated within this Strategic Report and the Directors' Report.

The group does not expect any major impact on future business because of COVID-19. The impact on our business and results has not been significant. As we operate in the Information Technology sector we have found increased demand for our services and expect this to continue. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

# REPLY LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### Section 172(1) Statement

##### Introduction - How the Board complied with its section 172 duties

Reply Ltd is an intermediate parent of the Reply Group headed by Reply S.P.A a public company listed on the Italian stock exchange, MTA Market, STAR Segment.

The corporate governance function for Reply Ltd is managed at group level in Italy. It is a set of laws and bylaws adopted to ensure the efficient and transparent functioning of the corporate bodies and the control systems adhere to the Corporate Governance Code issued by Borsa Italiana in March 2006 updated in January 2020 (hereinafter "the Code").

The governance structure of the group, based on the traditional model, is made up of the following bodies: The General Shareholders' meeting, the Board of Directors (that carries out its function through Executive Directors and is advised by an Internal Control and Risks Committee and a Remuneration and Nomination Committee), the Board of Statutory Auditors and Independent Auditors.

The board welcomes the new reporting requirement as an opportunity to explain the continuing actions which the board has taken over several years in respect of its corporate governance and interaction with Stakeholders.

The majority of the information, set out in this report, can be found on the Reply Website: <https://www.reply.com/en/investors/>

As noted above, the corporate governance functions for Reply Ltd is managed at group level. These include the function to define and approve the company's strategic, operating, and financial plans in addition to the corporate structure it heads.

Further information can be found on the Reply Website: <https://www.reply.com/en/investors/>

#### Strategic planning and market focus

Reply Ltd and its subsidiary companies specialises in consulting, technologies, and digital services with a focus on the conception, design and development of solutions based on new communication channels and digital media.

#### Reply is characterised by:

- a culture focused on technological innovation.
- a flexible structure that can anticipate market developments and interpret new technological drivers.
- a delivery method of proven success and scalability.
- a network that specialize in specific areas of expertise.
- teams composed of specialists, recruited from the best universities.
- a highly experienced management team.
- continuous investment in research and development.
- long-term relationships with its customers.

#### Reply's services include:

- Consulting - with a focus on strategy, communication, design, processes and technology.
- System Integration - making the best use of the potential of technology, by combining business consulting with innovative technological solutions and high added value.
- Digital Services - innovative services based on new communication channels and digital trends.

## REPLY LIMITED

### STRATEGIC REPORT (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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##### Specific Board actions - strategic planning

###### Acquisition

In 2021 the board of Reply approved the acquisition of:

###### **G-Force Demco Limited**

G Force-Demco Limited is the parent company of:

- (a) Graymatter Reply Limited (formerly Gray Matter Limited);
- (b) Arlanis Reply Limited (formerly Forcology Limited);

Graymatter Reply Limited is an award winning integrated B2B marketing agency specialising in Business to Decision-Maker Marketing with in depth working knowledge of the Automotive, IT, Tech & Software and Manufacturing sectors.

Arlanis Reply Limited specialises in consulting, planning, developing and integrating Salesforce solutions and services.

###### Group re-organisation

The Board of Reply Ltd reviewed its investment strategy and in conjunction with the parent company Reply SpA a decision was taken whereby Avantage Reply Ltd was acquired from Reply SpA and the transfer of all investments held by Reply Ltd in companies incorporated in the Benelux/France region to Reply S.à.r.l., a 100% subsidiary of Reply SpA, incorporated in Luxembourg. The disposal of investments to Reply S.à.r.l. took place on 31 March 2021 and comprised the following subsidiaries:

- [1] Avantage Reply (Luxembourg) S.à.r.l.
- [2] Avantage Reply (Netherlands) B.V.
- [3] Reply France S.A.S.
- [4] Avantage Reply (Belgium) S.p.r.l.
- [5] Reply Belgium S.A.
- [6] Sprint Reply S.A. (formerly Brightknight S.A.)

###### **Management**

The model implemented by Reply is designed to:

- create value for its shareholders and develop Reply in the long term.
- contribute to the well-being and professional growth of employees and independent contractors.
- introduce innovations in the technological sector.

With a commitment to ethics and transparency, which are Reply's key values.

By adopting a detailed Code of Ethics, the board of Reply is able to delegate management of the individual business units to a clearly defined management structure and define how the management team will act in all commercial activities and thereby minimising operational decision making at the board level. Monthly review meetings with the CEO, monitor the performance of the management team in terms of strategic direction and adherence to Reply's code of ethics.

The purpose of this Code of Ethics is to ensure that Reply's key ethical values are clearly established, form the foundations of the company and group's business culture and set a standard for the conduct of the staff in their business and non-business activities. By adopting this Code of Ethics, Reply seeks to promote best practices and responsible conduct through training and the disclosure of specific business ethical principles. With a view to implementing an effective and virtuous ethical system, this Code of Ethics is the result of a process of sharing, assimilation and implementation of the principles and values established herein. The main goal of this Code of Ethics is to disclose and share the ethical values which govern the company and group's activities. This belief led to the creation of a broad and detailed Code of Ethics which is designed to ensure that the company and group's ethical values are clearly defined and adhered to.

Further information about Reply's Code of Ethics can be found at [https://www.reply.com/investorsDocuments/en/Code\\_of\\_Ethics.pdf](https://www.reply.com/investorsDocuments/en/Code_of_Ethics.pdf)

## **REPLY LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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##### **Employees - the value of people**

Reply is based on the excellence of the people who make up the group. The men and women within the group bring the Reply brand to life for customers and partners and embody the group's image.

Reply invests continuously in human resources by establishing special relationships and partnerships with several universities with the aim of attracting highly skilled individuals to join its team.

The values that characterise Reply's employees are enthusiasm, excellence, a methodical approach, team spirit, initiative, and an ability to understand the business context and to clearly communicate proposed solutions. The continuous desire to imagine, experiment with and research new solutions allow innovation to come about more rapidly and efficiently.

Whoever decides to become a part of the "Reply world" will find the opportunity to best express their potential in an organisational model based on: culture, ethics, trust, honesty and transparency. These values are vital for the process of continual improvement and for enabling employees to focus ever more sharply on the quality of their work.

All the group's managers endeavour in their daily work to uphold the principles on which Reply has always depended and that have sustained it during its growth.

##### **Specific Board actions - employees**

###### **Annual employee survey**

The engagement of and feedback from employees is critical to the group's relationship with its employees. To achieve this objective, the Board of Reply initiated and maintains a confidential Annual Employee Survey.

The results of the survey were reviewed across the group on a company by company and business by business basis and the HR department were tasked with supporting the management of the relevant business units to address the issues identified.

###### **Management training program**

The development and career progression of Reply employees is a fundamental element of growing the Reply Group in the UK. The board reviewed the feedback received from individual training courses and were pleased with the positive responses received. The board plans to increase the frequency of the management training sessions in 2022 and beyond to consider opening the program to senior consultants. The board were satisfied that the utilisation of the Reply communications platforms had allowed for the face to face sessions to be replaced by virtual sessions.

###### **Disabled employees**

Reply is committed to providing equal opportunities in employment and to avoiding unlawful discrimination in employment and against customers.

The company will avoid unlawful discrimination in all aspects of employment including recruitment, promotion, opportunities for training, pay and benefits, discipline and selection for redundancy. Person and job specifications will be limited to those requirements that are necessary for the effective performance of the job. Candidates for employment or promotion will be assessed objectively against the requirements for the job, taking account of any reasonable adjustments that may be required for candidates with a disability. The company will consider any possible indirectly discriminatory effect of its standard working practices, including the number of hours to be worked, the times at which these are to be worked and the place at which work is to be done, when considering requests for variations to these standard working practices and will refuse such requests only if the company considers it has good reasons, unrelated to any protected characteristic, for doing so. The company will comply with its obligations in relation to statutory requests for contract variations. The company will also make reasonable adjustments to its standard working practices to overcome barriers caused by disability.

## REPLY LIMITED

### STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **Partners and suppliers**

Reply depends on the capability and performance of its group wide suppliers, contractors and other partners to help deliver the products and services which are required for its operations and the operations of its customers. Management of the relationships with suppliers and contractors is delegated to the individual business unit management teams operating within the Reply Code of Ethics.

#### **Specific Board actions:**

##### **Contractors IR35 - within/outside**

The board are pleased that the plan to establish effective procedures for dealing with the requirements of IR35 was successfully implemented and that the companies within the UK group comply with the current legislation.

##### **Suppliers/customers/financial reporting systems**

As part of the worldwide project to improve the efficiency of processing financial data in respect of customers, suppliers, contractors and financial reporting obligations, the board of Reply Ltd adopted the group decision to standardise the Reply Group ERP system. All Reply worldwide Finance departments will implement SAP S/4Hana Cloud. The board took the decision not to rush the implementation of S4Hana Cloud in the UK and to allow sufficient time for ensuring that the ERP system satisfies the requirements of the UK group. The decision was therefore made to Go-Live on the new ERP with effect from 1 January 2022.

##### **Customers**

The board's mission has always been to establish an infrastructure which can interpret new technologies and make them functional to the needs of the customers, as quickly as possible. Based on this principle, Reply has built a group of highly specialised companies, capable of supporting organisations in the transformation path.

Reply considers research and continuous innovation to be fundamental assets in supporting its customers as they adopt new technologies. To offer the most appropriate solutions to different business requirements, Reply has established a set of key partnerships with major global vendors. Reply has achieved top levels of certification about leading technologies in the enterprise field, including:

##### Adobe Reply

An EMEA AEM Specialised Partner, is a centre of excellence for the design and implementation of digital transformation and multi-channel marketing solutions, based on the different products available as part of the Adobe Experience Cloud platform.

##### Amazon Web Services

Reply ranks among leading Amazon Web Services (AWS) partners, supporting its customers in the digital transformation processes. Leveraging the cloud model best suited to the specific needs of the company and group and adopting a secure, flexible, and effective governance strategy.

##### Google

Reply confirmed its important Google Cloud Managed Service Provider (MSP) certification level. MSP is the certification that Google awards to a limited number of specialised WW partners that support customers throughout their end-to-end cloud journey, from initial engagement to cloud-based migration and execution, through to the planning and optimisation of the system. In addition to its MSP certification, Google renewed Reply's Premier Partner certification for the G Suite and Cloud Platform, recognising the group's excellence as demonstrated in support of its Google Cloud products.

##### Microsoft

Reply, a certified Microsoft gold partner in Brazil, Germany, Italy, the United Kingdom and the United States, continues to strengthen its collaboration with local Microsoft branches, by exploiting the excellence of the consultancy services offered and the coverage of the extensive range of Microsoft cloud solutions: from modern work environments to business applications, from applications and infrastructures, to data and artificial intelligence, and to mixed reality. In 2019, Reply joined the LEGO (Locally Engaged Globally Orchestrated) programme, aimed at helping selected partners with an international presence to grow their business on a global basis.

## REPLY LIMITED

### STRATEGIC REPORT (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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##### Oracle

Reply, Oracle Platinum Cloud Select partner and Oracle Cloud Managed Service Provider. Thanks to one of the leading European Competence Centres able to guarantee highly specialised expertise in the integration of Oracle's complete suite of Cloud products, Reply represents a point of reference in the main Oracle Cloud Computing solution areas: Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS) and Software-as-a-Service (SaaS).

##### Salesforce

Reply, a Salesforce Platinum Consulting Partner, is one of the leading Salesforce.com competence centres. Reply's Salesforce customers include not only leading players in the automotive, industrial, telecommunications and media industries, but also companies in the financial services, utility, retail and fashion sectors.

##### SAP

Thanks to its extensive international experience in implementing software solutions based on the SAP product suite, Reply is able to support companies in becoming smart businesses, by adopting an agile and integrated approach to design, and developing enterprise information systems for the digital age. Reply's experience covers both traditional business processes and more recent SAP technologies in the field of IoT, machine learning, big data and analytics, SAP Cloud Platform and SAP C/4 HANA for the development of end-to-end e-commerce and customer engagement solutions.

##### **How the Board considers stakeholders in decision-making**

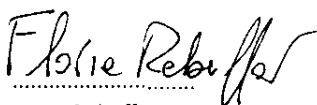
Reply Ltd and its immediate subsidiary companies are members of the group controlled by Reply S.p.A. are engaged in the field of Information & Communication Technology at a worldwide level through a network of companies specialised by business line, which rely on accurately recruited and well-trained professionals, with a focus on the quality of service and client satisfaction.

The Reply Group adopts specific procedures in managing risk factors that can have an influence on the company and group's results. Such procedures are a result of an enterprise management that has always aimed at maximizing value for its Stakeholders putting into place all necessary measures to prevent risks related to the group's activities.

A detailed analysis of how the Reply Group and its parent companies are mitigating and managing those risks can be found at: [https://www.reply.com/InvestorsReports/en/2021\\_REPLY\\_Annual\\_Report\\_EN.pdf](https://www.reply.com/InvestorsReports/en/2021_REPLY_Annual_Report_EN.pdf)

As well as other information about the Reply Group and its parent companies in relationship with the major stakeholders' activities and policies which can be found at: <https://www.reply.com/en/investors/Corporate-Governance>.

On behalf of the board



Mrs F Rebuffat

**Director**

Date: 28-02-2023

## REPLY LIMITED

### DIRECTORS' REPORT

#### FOR THE YEAR ENDED 31 DECEMBER 2021

---

The directors present their group annual report and group financial statements for the year ended 31 December 2021.

#### Principal activities

The principal activity of the group continued to be that of consulting, systems integration and application management specialising in the creation and implementation of solutions based on new communication networks and digital media.

#### Results and dividends

The results for the year are set out on page 13.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr M Rizzante	(Resigned 1 July 2022)
Mr F Rizzante	
Ms T Rizzante	
Mr G Guerrieri	(Resigned 31 March 2021)
Mr D Angelucci	
Mr R Lodigiani	(Resigned 1 July 2022)
Mrs F Rebuffat	(Appointed 31 March 2021)
Mr J S Hill	(Appointed 1 July 2022)

#### Qualifying third party indemnity provisions

The group maintains liability insurance for its Directors and officers through a policy issued by the parent company in 2021. The group has also provided an indemnity for its Directors, which is a qualifying third party indemnity provision for compliance with the Companies Act 2006.

#### Supplier payment policy

The group's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each contract;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Trade creditors of the group at the year end were equivalent to 30.0 days' purchases, based on the average daily amount invoiced by suppliers during the year.

#### Principle risks and uncertainties

The group's operations expose it to a variety of financial risks that include the effects of market risk, competitive risk, foreign currency risk, credit risk and liquidity risk. Information on these risks can be found in the notes to the financial statements.

The policies set by the parent company, Reply SpA, incorporated in Italy are implemented by the group's treasury function on behalf of the group and can be found in the financial statements of Reply SpA.

# REPLY LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### Research and development

Reply offers high technology services and solutions in a market where innovation is of primary importance. Reply considers research and continuous innovation a fundamental asset in supporting clients with the adoption of new technology. Reply dedicates resources to Research and Development activities in order to project and define highly innovative products and services as well as possible applications of evolving technologies. In this context, Reply has developed its own platforms. Reply has important partnerships with major global vendors so as to offer the most suitable solutions to different company needs. Specifically, Reply boasts the highest level of certification amongst the technology leaders in the Enterprise sector.

#### Post reporting date events

Refer to note 36 for further information on post reporting date events.

#### Auditor

The auditors, Nunn Hayward LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### Energy and carbon report

This report outlines the group's greenhouse gas and energy usage for the period ending 31 December 2021 in line with the requirements for a "large" unquoted company as per The Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Energy Type	Emission Type	Definition	kWh	Tonnes of CO2e
Gas	Scope 1	Total Energy Consumption - Gas	528,851	97.240
Electricity	Scope 2	Total Energy Consumption - Elec	354,962	82.756
<b>Total</b>			<b>883,813</b>	<b>179.996</b>

Intensity Measure	Revenue (€m)	Intensity Ratio (CO2/€1m Revenue)
Tonnes CO2 per €1m of revenue	184	0.978

Our methodology to calculate our greenhouse gas emissions is based on conversion factors provided by our energy supplier and where this information is not available we have used DEFRA's 2020 conversion factors

We report on a financial control approach to define our organisation boundary and we have reported all material emission sources required by the regulations for which we deem ourselves to be responsible and have maintained records of all source data and calculations.

As the group does not own the premises out of which it operates and cannot implement energy efficiency measures itself, the group follows strict environmental policy guidelines of the Reply S.p.A. Group to reduce and monitor the impact of corporate activities on the environment.

To reduce the environmental impact, the Reply S.p.A. Group is working on switching to 50% renewable electricity in all territories by 2025 and has made a commitment to reach Net-Zero GHG emissions by 2030.

## REPLY LIMITED

### DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### Statement of directors' responsibilities

The directors are responsible for preparing the group annual report and the group financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss of the group and the parent company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the group and the parent company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Disclosures in the Strategic Report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of disclosures relating to future development and its engagement with employees, customers and suppliers.

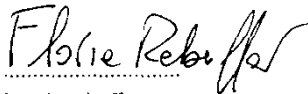
#### Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board



Mrs F Rebuffat

Director

Date: 28-02-2023

# REPLY LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF REPLY LIMITED

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#### Opinion

We have audited the financial statements of Reply Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the group income statement, the group statement of comprehensive income, the group statement of financial position, the group statement of changes in equity, the group statement of cashflows, the company statement of financial position, the company statement of changes in equity, the company statement of cashflows and the notes to the group and company financial statements, including significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## REPLY LIMITED

### INDEPENDENT AUDITOR'S REPORT (CONTINUED)

#### TO THE MEMBERS OF REPLY LIMITED

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##### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

##### **Matters on which we are required to report by exception**

*In the light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.*

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

##### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

##### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

## REPLY LIMITED

### INDEPENDENT AUDITOR'S REPORT (CONTINUED)

#### TO THE MEMBERS OF REPLY LIMITED

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- We obtained an understanding of the legal and regulatory framework that are applicable to the group and parent company and determined that the most significant are those that relate to the reporting framework (IFRS and the Companies Act 2006), the relevant tax compliance regulations in the UK and the EU General Data Protection Regulations (GDPR).
- We understood how the group and parent company was complying with those frameworks by making enquiries of management.
- Based on our understanding of the business, we designed our audit procedures to identify non-compliance with laws and regulations including making enquires of those charged with governance at group level; testing journal entries, with a focus on manual, large or unusual transactions.
- We assessed the susceptibility of the consolidated financial statements to material misstatement, including how fraud might occur, by meeting with management and making enquiries of those charged with governance. We also considered performance targets and the likelihood of these to influence management to misstate revenue and reported profits.
- We considered the controls established to address the risks identified, to prevent, deter or detect fraud, and how management and those charged with governance monitor those controls.
- We assessed the group's compliance with laws and regulations and inspected journals to identify unusual or unexpected transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Tom Lacey FCCA (Senior Statutory Auditor)**  
For and on behalf of Nunn Hayward LLP

Date: 01.03.2023

**Chartered Accountants**  
**Statutory Auditor**

2-4 Packhorse Road  
Gerrards Cross  
Buckinghamshire  
SL9 7QE

## REPLY LIMITED

### GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
<b>Continuing operations</b>			
Revenue	4	183,839,576	107,610,434
Cost of sales		(117,944,597)	(60,727,691)
<b>Gross profit</b>		<b>65,894,979</b>	<b>46,882,743</b>
Other operating income	4	(2,012,671)	4,199,528
Administrative expenses		(55,073,124)	(44,293,108)
Exceptional income/(expenses)	5	7,660,460	-
<b>Operating profit</b>	6	<b>16,469,644</b>	<b>6,789,163</b>
Investment revenues	9	72,425	26,505
Finance costs	10	(2,036,032)	(1,432,964)
<b>Profit before taxation</b>		<b>14,506,037</b>	<b>5,382,704</b>
Income tax (expense)/income	11	(1,663,126)	674,737
<b>Profit for the year</b>		<b>12,842,911</b>	<b>6,057,441</b>
<b>Discontinued operations</b>			
Group reorganisation	12	620,099	31,898
<b>Profit for the year</b>	30	<b>13,463,010</b>	<b>6,089,339</b>

Profit for the financial year is all attributable to the owners of the parent company.

The notes on pages 19 to 50 form part of these group financial statements.

## REPLY LIMITED

### GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

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	2021 £	2020 £
<b>Profit for the year</b>	13,463,010	6,089,339
	<u>                    </u>	<u>                    </u>
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified to profit or loss</b>		
Currency translation differences:		
- Translation gain arising in the year	31,545	77,166
	<u>                    </u>	<u>                    </u>
<b>Total comprehensive income for the year</b>	13,494,555	6,166,505
	<u>                    </u>	<u>                    </u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

The notes on pages 19 to 50 form part of these group financial statements.

# REPLY LIMITED

## GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
<b>Non-current assets</b>			
Goodwill	13	71,367,381	61,807,022
Intangible assets	13	19,111,800	21,864,300
Property, plant and equipment	14	20,646,657	23,483,694
Deferred tax asset	25	1,270,355	1,411,034
		<u>112,396,193</u>	<u>108,566,050</u>
<b>Current assets</b>			
Trade and other receivables	17	53,062,755	45,910,624
Current tax recoverable		3,630,265	2,902,895
Cash and cash equivalents		53,505,728	48,759,735
		<u>110,198,748</u>	<u>97,573,254</u>
<b>Current liabilities</b>			
Trade and other payables	23	112,729,178	117,318,237
Current tax liabilities		3,469,017	2,585,363
Borrowings	19	1,202,517	1,186,403
Lease liabilities	24	2,588,185	1,708,974
		<u>119,988,897</u>	<u>122,798,977</u>
<b>Net current liabilities</b>		<u>(9,790,149)</u>	<u>(25,225,723)</u>
<b>Non-current liabilities</b>			
Trade and other payables	23	27,866,631	19,348,000
Lease liabilities	24	16,440,157	18,664,968
Deferred tax liabilities	25	3,737,964	4,260,622
		<u>48,044,752</u>	<u>42,273,590</u>
<b>Net assets</b>		<u>54,561,292</u>	<u>41,066,737</u>
<b>Equity</b>			
Called up share capital	27	54,175	54,175
Share premium account	28	145,753	145,753
Currency translation	29	108,711	77,166
Retained earnings	30	54,252,653	40,789,643
<b>Total equity</b>		<u>54,561,292</u>	<u>41,066,737</u>

The notes on pages 19 to 50 form part of these group financial statements.


## REPLY LIMITED

### GROUP STATEMENT OF FINANCIAL POSITION (CONTINUED)

**AS AT 31 DECEMBER 2021**

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The financial statements were approved by the board of directors and authorised for issue on ...28-02-2023..... and are signed on its behalf by:



.....  
Mrs F Rebuffat  
Director

Company registration number 03847202 (England and Wales)

## REPLY LIMITED

### GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium account	Currency translation	Retained earnings	Total
	£	£	£	£	£
<b>Balance at 1 January 2020</b>	54,175	145,753	-	34,700,304	34,900,232
<b>Year ended 31 December 2020:</b>					
Profit for the year	-	-	-	6,089,339	6,089,339
Other comprehensive income:					
Currency translation differences	-	-	77,166	-	77,166
Total comprehensive income for the year	-	-	77,166	6,089,339	6,166,505
<b>Balance at 31 December 2020</b>	54,175	145,753	77,166	40,789,643	41,066,737
<b>Year ended 31 December 2021:</b>					
Profit for the year	-	-	-	13,463,010	13,463,010
Other comprehensive income:					
Currency translation differences	-	-	31,545	-	31,545
Total comprehensive income for the year	-	-	31,545	13,463,010	13,494,555
<b>Balance at 31 December 2021</b>	54,175	145,753	108,711	54,252,653	54,561,292

The notes on pages 19 to 50 form part of these group financial statements.

# REPLY LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	39	8,026,709		46,585,008	
Interest paid		(2,036,032)		(930,593)	
Income taxes (paid)/refunded		(530,668)		1,412,424	
<b>Net cash inflow from operating activities</b>		<b>5,460,009</b>		<b>47,066,839</b>	
<b>Investing activities</b>					
Purchase of property, plant and equipment		(1,161,305)		(781,760)	
Proceeds from disposal of property, plant and equipment		57,680		-	
Purchase of subsidiaries, net of cash acquired		(5,231,053)		(20,974,030)	
Proceeds from disposal of investments		7,864,773		-	
Interest received		55,842		26,505	
<b>Net cash generated from/(used in) investing activities</b>		<b>1,585,937</b>		<b>(21,729,285)</b>	
<b>Financing activities</b>					
Decrease / (increase) in overdraft facility		16,114		16,114	
Payment of lease liabilities		(1,728,523)		(2,385,738)	
<b>Net cash used in financing activities</b>		<b>(1,712,409)</b>		<b>(2,369,624)</b>	
<b>Net increase in cash and cash equivalents</b>		<b>5,333,537</b>		<b>22,967,930</b>	
Cash and cash equivalents at beginning of year		47,573,332		25,014,987	
Effect of foreign exchange rates		(603,658)		(409,585)	
Cash and cash equivalents at end of year		<u>52,303,211</u>		<u>47,573,332</u>	
<b>Relating to:</b>					
Bank balances and short term deposits		53,505,728		48,759,735	
Bank overdrafts		<u>(1,202,517)</u>		<u>(1,186,403)</u>	

The notes on pages 19 to 50 form part of these group financial statements.

# REPLY LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies

##### Company information

Reply Limited is a private company limited by shares incorporated in England and Wales. The registered office is 38 Grosvenor Gardens, London, SW1W 0EB.

The group consists of Reply Limited and all of its subsidiaries.

The principal activity of the group in the year under review was that of consulting, systems integration and application management specialising in the creation and implementation of solutions based on new communication networks and digital media.

##### 1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, except as otherwise stated.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

##### 1.2 Business combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

##### 1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Reply Limited together with all entities controlled by the parent company (its subsidiaries).

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

# REPLY LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies

(Continued)

##### 1.4 Going concern

The directors have a reasonable expectation that the company and the group has adequate resources to continue in operational existence for the foreseeable future. The company and the group therefore continues to adopt the going concern basis in preparing the financial statements. Financial support by Reply S.p.A has been confirmed for a period of not less than 12 months from the date of signing these financial statements.

##### 1.5 Revenue

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Revenue is recognised when the transfer of all risks and benefits arising from the passage of title takes place or upon the execution of a service.

In respect of long-term contracts and contracts for ongoing services, income represents the value of work done in the year, including estimates of amounts not invoiced. Income in respect of long-term contracts and contracts for ongoing services is recognised by reference to the state of completion which is calculated by reference to actual person hours worked as a percentage of the total forecast person hours to completion. The value of amounts to be invoiced at the year-end is included within contract assets. Where accounts have been invoiced in advance of the service to be performed, the amount is included within contract liabilities. Any losses arising on such contracts are recognised when foreseen.

Sale of goods comprises of resale of the hardware items to the customers. These fees are recognised at the point in time when contractual conditions have been satisfied.

Sale of services comprises of software development, consultancy, employment placement and digital marketing and advertising where revenue is recognised over time based on the contractual obligation of days/effort to be spent on a project. If the obligation is not linked to a specific amount of days and effort, it is split based on the best estimate of additional effort needed, judging on the effort and results achieved to date.

##### 1.6 Goodwill

Goodwill is an intangible asset with an indefinite life, and represents the excess of the cost of acquisition of a business combination over the fair value of net assets acquired. The cost of acquisition is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination.

Goodwill is not amortised but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment losses are recognised immediately as expenses that cannot be recovered in the future. On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

A gain on a bargain purchase is recognised in profit or loss in the period of the acquisition.

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies

(Continued)

##### 1.7 Intangible assets other than goodwill

Intangible assets, including customer relationships, acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, and is generally recognised in profit or loss on the following basis:

Customer relationships (PPA)	10% on cost
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##### 1.8 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost could also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of tangible fixed assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is de-recognised when replaced. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	Straight line over lease term
Leasehold improvements	Straight line over lease term
Fixtures and fittings	20% to 25% on cost
Plant and equipment	25% to 33% on cost
Computers	33% on cost
Motor vehicles	25% reducing balance basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

##### 1.9 Non-current investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the parent company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

# REPLY LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies

(Continued)

##### 1.10 Impairment of tangible and intangible assets

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### 1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

##### 1.12 Financial assets

The group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### **Financial assets at fair value through profit or loss**

The following financial assets are classified at fair value through profit or loss (FVPL):

- (i) debt investments that do not qualify for measurement at amortised cost
- (ii) equity investments that are held for trading, and;
- (iii) equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

##### **Financial assets held at amortised cost**

The group classifies its financial assets at amortised cost only if both of the following criteria are met:

- (i) the asset is held within a business model whose objective is to collect the contractual cash flows, and;
- (ii) the contractual terms give rise to cash flows that are solely payments of principal and interest.

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies

(Continued)

##### **Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- (i) Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- (ii) Debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred, future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in statement of comprehensive income.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

##### **Trade and other receivables**

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

#### 1.13 Financial liabilities

The group recognises financial debt when the group becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

The group has no financial liabilities classified as 'financial liabilities at fair value through profit or loss'.

# REPLY LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies

(Continued)

##### **Other financial liabilities**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the group's obligations are discharged, cancelled, or they expire.

#### 1.14 Equity instruments

Equity instruments issued by the parent company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer payable at the discretion of the company.

#### 1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

Income tax expense represents the sum of current corporation tax payable and provision for deferred income taxes. Current income tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The group's liability for current corporation tax is calculated using tax rates and laws that have been enacted or substantively enacted by the date of the Statement of Financial Position.

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies

(Continued)

##### **Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of non-current assets, and gains on disposal of non-current assets that have been rolled over into replacement assets, only to the extent that, at the date of the Statement of Financial Position, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is probable that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.
- Deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the date of the Statement of Financial Position.

##### **1.16 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### **1.17 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

##### **1.18 Leases**

At inception, the group assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the group recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

# REPLY LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies

(Continued)

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the group is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the group's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

#### 1.19 Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants receivable and amounts due to the group under the Government's Job Retention Scheme are credited to other income in the period they are due.

#### 1.20 Foreign exchange

Items included in the financial statements of the group are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the group's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other expenses' or 'Other operating income'.

#### 2 Adoption of new and revised standards and changes in accounting policies

There were no new standards, amendments or interpretations affecting the company in the financial year.

#### 3 Critical accounting estimates and judgements

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 3 Critical accounting estimates and judgements

(Continued)

##### Key sources of estimation uncertainty

##### Impairment assessments

On an annual basis, the group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the recoverable value of the investment. This requires estimation of the future cash flows from the investment and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. The recoverable amount is a source of significant estimation uncertainty and determining this involves the use of external consultants where appropriate in addition to the use of significant assumptions.

##### Assessment of deferred consideration

Costs of acquisitions and business combinations in the year are included in investments in the Statement of Financial Position and comprise the initial consideration paid/payable plus best estimate of future considerations for earn-outs in relation to the original signed contracts determined at the date of the acquisition. Adjustments to the earn-outs are taken to the profit and loss account in accordance with IFRS 3 Business combinations.

##### Assessment of the value of revenue

Assessment of the value of revenue in respect of long-term contracts and contracts for ongoing services is calculated based on the percentage completion on fixed price contracts. Percentage complete is calculated by reference to actual person months worked as a percentage of the total estimated person months to completion.

#### 4 Revenue

	2021	2020
	£	£
<b>Revenue analysed by class of business</b>		
Consultancy	140,452,995	83,539,779
Hardware	15,346,147	4,916,107
Support	23,597,582	13,774,027
Recruitment and contracting	4,442,852	5,380,521
	<u>183,839,576</u>	<u>107,610,434</u>
	<u>183,839,576</u>	<u>107,610,434</u>
	2021	2020
	£	£
<b>Revenue analysed by geographical market</b>		
UK & Europe	181,627,013	104,886,094
Rest of World	2,212,563	2,724,340
	<u>183,839,576</u>	<u>107,610,434</u>
	<u>183,839,576</u>	<u>107,610,434</u>

# REPLY LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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4 Revenue	(Continued)	
	2021	2020
	£	£
<b>Other income</b>		
Grants received	123,256	877,172
Net (increase)/decrease in fair value of deferred consideration	(3,711,441)	1,747,034
Research and development expenditure credit	1,243,792	1,308,312
Sundry income	331,722	267,010
	<u>(2,012,671)</u>	<u>4,199,528</u>

Government grants received in respect of the Job Retention Scheme in the year amounted to £7,337 (2020: £777,526) and for The Sustainable Innovation Fund, amounted to £115,919 (2020: £99,646).

5 Exceptional income/(expenses)	2021	2020
	£	£
<b>Income</b>		
Profit on sale of group undertakings	7,660,460	-
	<u>7,660,460</u>	<u>-</u>

6 Operating profit	2021	2020
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	1,084,034	(804,319)
Government grants	(123,256)	(877,172)
Depreciation of property, plant and equipment	4,485,021	4,233,707
Loss on disposal of property, plant and equipment	343	9,848
Amortisation of intangible assets (included within administrative expenses)	2,752,500	2,752,500
	<u>2,752,500</u>	<u>2,752,500</u>

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

#### 7 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	98,000	83,235
Audit of the financial statements of the company's subsidiaries	61,675	28,400
	<u>159,675</u>	<u>111,635</u>
<b>For other services</b>		
Tax services	18,300	44,775
Other services	73,475	77,175
	<u>91,775</u>	<u>121,950</u>

#### 8 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

	2021	2020
	Number	Number
Directors	6	6
Administration, sales and management	122	73
Consultants	1,250	792
	<u>1,378</u>	<u>871</u>

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	92,605,502	43,355,563
Social security costs	11,256,975	5,684,770
Pension costs	2,914,367	2,179,809
	<u>106,776,844</u>	<u>51,220,142</u>

The directors comprise the key management personnel of the group in both the current and previous year.

A number of the directors of the group have their remuneration paid by Reply S.p.A. because they are directors in more than one group undertaking. The directors do not believe it is practicable to apportion an amount between their services as directors of the parent company and their services as directors of other group undertakings.

During the year, two directors (2020: two) were provided with accommodation in the UK by Reply Limited. There were no directors pension contributions (2020: nil)

# REPLY LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 9 Investment income

	2021	2020
	£	£
<b>Interest income</b>		
Financial instruments measured at amortised cost:		
Bank deposits	40,328	26,357
Other interest income on financial assets	32,097	148
	<u>72,425</u>	<u>26,505</u>
Total interest revenue	<u>72,425</u>	<u>26,505</u>

### 10 Finance costs

	2021	2020
	£	£
Interest on bank overdrafts and loans	41,131	18,654
Interest on lease liabilities	529,264	564,366
Other interest payable	1,465,637	849,944
	<u>2,036,032</u>	<u>1,432,964</u>
Total interest expense	<u>2,036,032</u>	<u>1,432,964</u>

### 11 Income tax expense

	2021	2020
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	2,193,701	986,606
Adjustments in respect of prior periods	-	(99,032)
	<u>2,193,701</u>	<u>887,574</u>
<b>Total UK current tax</b>	<u>2,193,701</u>	<u>887,574</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(530,575)	(1,562,311)
	<u>(530,575)</u>	<u>(1,562,311)</u>
<b>Total tax charge/(credit)</b>	<u>1,663,126</u>	<u>(674,737)</u>

Of the charge to current tax in relation to discontinued operations, £227,781 relates to tax on profits on ordinary activities and £0 arose on disposal.

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

#### 11 Income tax expense

(Continued)

The charge for the year can be reconciled to the loss per the income statement as follows:

	2021	2020
	£	£
Profit before taxation	14,506,037	5,382,704
Expected tax charge based on a corporation tax rate of 19.00% (2020: 19.00%)	2,756,147	1,022,714
Effect of expenses not deductible in determining taxable profit	1,521,103	408,975
Income not taxable	(2,909,107)	(47,921)
Utilisation of tax losses not previously recognised	(30,545)	-
Unutilised tax losses carried forward	7,108	32
Adjustment in respect of prior years	-	(238,131)
Research and development tax credit	-	(260,803)
Deferred tax movement	-	(442,966)
Depreciation in excess of capital allowances	-	80,151
Overseas tax rate differences	33,058	(804)
Other adjustments	285,362	(1,195,984)
<b>Taxation charge/(credit) for the year</b>	<b>1,663,126</b>	<b>(674,737)</b>

#### Factors that may affect future tax charges

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which they reverse. The rate enacted for the relevant periods of reversal is 25% (2020: 19%). On 3 March 2021, the Chancellor announced that the government will legislate to increase the corporation tax rate to 25% from 1 April 2023.

# REPLY LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 12 Discontinued operations

As a result of Brexit, the group carried out a re-organisation and disposed of subsidiaries based on mainland Europe to Reply S.A.R.L, a company registered in Luxembourg and comprised the following:

- [1] Avantage Reply (Luxembourg) S.à.r.l.
- [2] Avantage Reply (Netherlands) B.V.
- [3] Reply France S.A.S.
- [4] Avantage Reply (Belgium) S.p.r.l.
- [5] Reply Belgium S.A.
- [6] Sprint Reply S.A. (formerly Brightknight S.A.)

The results of the discontinued business, which have been included in the income statement, were as follows:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Profit on sale of discontinued operations	620,099	31,898
<b>Net profit attributable to discontinuation</b>	<u>620,099</u>	<u>31,898</u>

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 13 Intangible assets

	Goodwill	Other intangibles	Total
	£	£	£
<b>Cost</b>			
At 1 January 2020	32,565,697	10,071,000	42,636,697
Additions	29,241,325	17,454,000	46,695,325
At 31 December 2020	61,807,022	27,525,000	89,332,022
Additions - purchased	9,951,016	-	9,951,016
Disposals	(390,657)	-	(390,657)
At 31 December 2021	71,367,381	27,525,000	99,141,276
<b>Amortisation and impairment</b>			
At 1 January 2020	-	2,908,200	2,908,200
Charge for the year	-	2,752,500	2,752,500
At 31 December 2020	-	5,660,700	5,660,700
Charge for the year	-	2,752,500	2,752,500
At 31 December 2021	-	8,413,200	8,662,095
<b>Carrying amount</b>			
At 31 December 2021	71,367,381	19,111,800	90,479,181
At 31 December 2020	61,807,022	21,864,300	83,671,322
At 31 December 2019	32,565,697	7,162,800	39,728,497

The increase in goodwill arose as a result of acquisitions in the year.

The amortisation of other intangibles is included in 'administrative expenses'.

**REPLY LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

14 Property, plant and equipment	Cost	Leasehold land	Leasehold	Plant and	Fixtures and	Computers	Motor vehicles	Total
		and buildings	improvements	equipment	fittings			
		£	£	£	£	£	£	£
At 1 January 2020		27,480,159	84,892	818,050	1,937,858	2,505,119	36,160	32,862,238
Additions		1,776,060	-	422	3,593	447,539	28,714	2,256,328
Business combinations		62,335	-	-	33,947	44,887	-	141,169
Disposals		-	-	(1,022)	(1,730)	(38,569)	-	(41,321)
Foreign currency adjustments		-	(6,876)	-	(864)	(7,320)	-	(15,060)
At 31 December 2020		29,318,554	78,016	817,450	1,972,804	2,951,656	64,874	35,203,354
Additions		297,118	-	27,943	473,389	719,344	26,434	1,544,228
Business combinations		-	-	154,378	5,534	7,638	-	167,550
Disposals		-	-	-	(549,382)	(483,142)	-	(1,032,524)
Foreign currency adjustments		-	744	-	(29,614)	(16,979)	-	(45,849)
At 31 December 2021		29,615,672	78,760	999,771	1,872,731	3,178,517	91,308	35,836,759

**REPLY LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

14 Property, plant and equipment	(Continued)						
	Leasehold land and buildings	Leasehold improvements	Plant and equipment	Fixtures and fittings	Computers	Motor vehicles	Total
	£	£	£	£	£	£	£
<b>Accumulated depreciation and impairment</b>							
At 1 January 2020	4,281,563	23,739	372,080	976,773	1,761,883	3,121	7,419,159
Charge for the year	3,398,237	18,481	116,016	284,287	398,178	18,508	4,233,707
Eliminated on disposal	-	-	-	(1,140)	(36,693)	-	(37,833)
On assets reclassified as held for sale	-	-	-	41,132	58,733	-	99,865
Foreign currency adjustments	-	(2,080)	-	1,036	5,806	-	4,762
At 31 December 2020	7,679,800	40,140	488,096	1,302,088	2,187,907	21,629	11,719,660
Charge for the year	3,508,382	18,335	116,647	339,143	471,994	30,520	4,485,021
Eliminated on disposal	(112,017)	-	-	(478,674)	(383,810)	-	(974,501)
Foreign currency adjustments	-	412	-	(25,668)	(14,822)	-	(40,078)
At 31 December 2021	11,076,165	58,887	604,743	1,136,889	2,261,269	52,149	15,190,102
<b>Carrying amount</b>							
At 31 December 2021	18,539,507	19,873	395,028	735,842	917,248	39,159	20,646,657
At 31 December 2020	21,638,754	37,876	329,354	670,716	763,749	43,245	23,483,694

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

Property, plant and equipment includes right-of-use assets, as follows:

<b>Right-of-use assets</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Net values at the year end</b>		
Property	15,214,332	18,017,025
Computers	6,277	7,490
Motor vehicles	39,159	43,245
	<u>15,259,768</u>	<u>18,067,760</u>
<b>Total additions in the year</b>	<u>409,823</u>	<u>1,474,568</u>
<b>Depreciation charge for the year</b>		
Property	3,150,332	3,103,420
Computers	8,131	26,359
Motor vehicles	30,520	18,508
	<u>3,188,983</u>	<u>3,148,287</u>

The total cash outflow relating to right of use leases in the period amounted to £2,257,787 (2020: £2,950,104)

#### 15 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 15 Subsidiaries (Continued)

Name of undertaking	Registered office	Principal activities	Class of shares held	% Held	
				Direct	Indirect
Portaltch Reply Limited	1	e-business systems	Ordinary	100.00	-
Avvio Reply Limited	1	Branding and PR	Ordinary	100.00	-
Solidsoft Reply Limited	1	Software development	Ordinary	100.00	-
Lynx Recruitment Limited	1	Employment placement agency	Ordinary	100.00	-
WM Reply Limited	1	Software development	Ordinary	100.00	-
WM Reply LLC	5 a	Software development	Ordinary	-	100.00
Blowfish Digital Holdings Limited	1	Holdings company	Ordinary	100.00	-
Threepipe Reply Limited	1 b	Branding and PR	Ordinary	-	100.00
Spot Digital Limited	1	not trading	Ordinary	-	100.00
Mansion House Consulting Limited	1	IT Consultants	Ordinary	100.00	-
MHC Holdings (US) Limited	1 c	not trading	Ordinary	-	100.00
Mansion House Consulting Inc	3 c	not trading	Ordinary	-	100.00
Mansion House Consulting Pte Limited	1 c	not trading	Ordinary	-	100.00
Airwalk Holdings Reply Limited	1	Holdings company	Ordinary	100.00	-
Airwalk Consulting Reply Limited	4 d	IT consultants	Ordinary	-	100.00
AWC Partners Reply Limited	1 d	IT consultants	Ordinary	-	100.00
Airwalk Consulting Limited	2 d	IT consultants	Ordinary	-	100.00
Avantage Reply Limited	1	Software development	Ordinary	100.00	-
G-Force Demco Limited	1	Holdings company	Ordinary	100.00	-
Graymatter Reply Limited	1 e	Brand and digital marketing	Ordinary	-	100.00
Arlanis Reply Limited	1 e	Salesforce consultancy	Ordinary	-	100.00
WM Reply Malaysia Sdn Bhd	6	IT consultants	Ordinary	-	100.00

#### Registered office:

- (1) 38 Grosvenor Gardens, London, SW1W 0EB, United Kingdom.
- (2) Room 1405, 14/F., 135 Bonham Strand Trade Centre, 135 Bonham Strand, Sheung Wan, Hong Kong.
- (3) 108 West 13th Street, Wilmington, New Castle, 19081, USA.
- (4) Forsyth House, 93 George Street, Edinburgh, EH2 3E, United Kingdom.
- (5) Office 14, Building 11, Tolbukhina Street 2, Minsk, 220012, Republic of Belarus.
- (6) UOA Business Park, Tower 3, 9th Floor, 1 Jalan Pengaturcara U1/51A, Section U1, 40150 Shah Alam, Selangor, Malaysia.

#### Inter-mediate parent companies:

- (a) Held through WM Reply Limited
- (b) Held through Blowfish Digital Holdings Limited
- (c) Held through Mansion House Consulting Limited
- (d) Held through Airwalk Holdings Reply Limited
- (e) Held through G-Force Demco Limited

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 15 Subsidiaries

(Continued)

##### Other subsidiary companies - wholly owned, dormant and UK registered

Open Reply Limited, Sytel Reply Limited, Technology Reply Limited, Go Reply Limited, Net Reply Limited, Retail Reply Limited, Twice Reply Limited, Spike Reply Limited, @Logistics Reply Limited, Cluster Reply Limited, Glue Reply Limited, Data Reply Limited, Alpha Reply Limited, Blockchain Reply Limited, Discovery Reply Limited, eFinance Consulting Reply Limited, Glue Limited, Reply Services Limited, Storm Reply Limited.

Reply NL Limited, France Reply Limited and Risk Reply Limited were dissolved during the current year.

##### Parent guarantee to subsidiaries

The following subsidiary companies have claimed audit exemption under Section 479A of the Companies Act 2006 for the year ended 31 December 2021: Avvio Reply Ltd Company No. 02865104, Avantage Reply Ltd Company No. 05177605, Lynx Recruitment Ltd Company No. 04289642, Portaltech Reply Ltd Company No. 03999284, Solidsoft Reply Ltd Company No. 02853022 and WM Reply Ltd Company number: 07466050. The parent, Reply Limited, has given a statement of guarantee under Section 479C of Companies Act 2006 whereby Reply Limited will guarantee all outstanding liabilities to which aforementioned UK registered companies are subject as at 31 December 2021.

#### 16 Contracts with customers

	31/12/2021	31/12/2020	01/01/2020
	£	£	£
<b>Contracts in progress</b>			
Contract assets	4,879,645	3,050,486	5,158,163
Contract liabilities	(1,176,460)	(900,040)	(4,816,604)

#### 17 Trade and other receivables

	2021	2020
	£	£
Trade receivables	33,706,031	28,054,863
Contract assets (note 16)	4,879,645	3,050,486
Amount owed by parent undertaking	3,612,909	1,878,752
Amounts owed by fellow group undertakings	2,708,304	3,180,152
Other receivables	1,610,074	2,078,725
Prepayments	6,545,792	7,667,646
	<u>53,062,755</u>	<u>45,910,624</u>

#### 18 Trade receivables - credit risk

##### Fair value of trade receivables

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 18 Trade receivables - credit risk

(Continued)

Credit risk refers to the loss that the group would incur if a debtor fails to perform under its contractual obligations. The carrying amount of financial assets recognised in the Statement of Financial Position best represents the company's maximum exposure to credit risk as at the reporting date.

The group has established procedures to minimise the risk of default by trade debtors including detailed credit checks undertaken before a customer is accepted. Historically, these procedures have proved effective in minimising the level of impaired and past due debtors.

During the year a £439,282 reversal of impairment of trade receivables was recognised. (FY2020: impairment charge £590,903).

#### 19 Borrowings

	2021	2020
	£	£
<b>Borrowings held at amortised cost:</b>		
Bank overdrafts	1,202,517	1,186,403

The bank overdraft is un-secured, subject to an interest charge of 2% above Bank of England base rate and is repayable on demand.

#### 20 Fair value of financial liabilities

The directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

#### 21 Liquidity risk

The following table details the remaining contractual maturity for the group's financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the group may be required to pay.

	Less than 1 year	1 – 2 years	2 – 5 years	over 5 years	Total
	£	£	£	£	£
<b>At 31 December 2021</b>					
Bank overdraft	1,202,517	-	-	-	1,202,517
Leases	2,588,185	2,815,817	8,359,988	5,264,352	19,028,342
	<u>3,790,702</u>	<u>2,815,817</u>	<u>8,359,988</u>	<u>5,264,352</u>	<u>20,230,859</u>

#### Liquidity risk management

Liquidity risk is the risk that group will not be able to meet its cash outflows, as they fall due, because of lack of liquid assets.

To ensure that group has sufficient funds available on a timely basis in the form of cash and liquid assets to meet its liquidity requirements, the group manages its operations from available working capital.

The group manages this risk through financial support from its parent undertaking and monitors cash balances on a daily basis to ensure that it has sufficient funds to pay liabilities as they fall due.

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 22 Financial risk management

This group's parent undertaking, Reply S.p.A., has determined the guidelines in managing the group's financial risks. In order to minimise costs and maximise the resources available, Reply S.p.A. has centralised all of the risk management across the regional groups. Reply S.p.A. gathers all information concerning possible risk situations and defines the corresponding hedge.

As described in the section "Risk Management" in the consolidated financial statements of Reply S.p.A. the group constantly monitors the financial risks to which it is exposed, in order to detect those risks in advance and take the necessary action to mitigate them.

The group's activities expose it to a variety of financial risks which include market risk, currency risk, credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group.

The group uses different methods to measure different types of risk to which it is exposed. For the purposes of financial statements disclosures, these methods include sensitivity analysis in the case of foreign exchange and ageing analysis for credit and liquidity risks.

##### Market risk management

Market risk is the risk of loss arising from movements in market variables, including observable variables such as interest rates, exchange rates and equity markets, and indirectly observable variables such as volatilities and correlations. Market risk for the group primarily arises from foreign exchange risk in relation to overseas receivables.

##### Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from trading with overseas entities.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis.

Losses in value may result from translating the receivables into Sterling at the date of the Statement of Financial Position (translation risk) or from adverse foreign currency exchange rate movements on specific cash flow transactions (transaction risk).

##### Foreign currency sensitivity

Based on the financial instruments held at 31 December 2021, had Sterling weakened/strengthened by 5% against the Euro with all other variables held constant, there would have been no material effect on the profit for the year.

##### Credit risk

Credit risk refers to the loss that the company would incur if a debtor fails to perform under its contractual obligations. The carrying amount of financial assets recognised in the Statement of Financial Position best represents the company's maximum exposure to credit risk as at the reporting date.

##### Concentration risk

The group offers consulting services mainly to medium and large size companies operating in different market segments (Telco, Manufacturing, Finance, etc.). A part of the group's revenues, although in a decreasing fashion in the past years, is concentrated on a number of key clients. If such clients were lost this could have an adverse effect on the group's activities and on the group's economic, financial and earnings position.

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

#### 23 Trade and other payables

	Current		Non-current	
	2021	2020	2021	2020
	£	£	£	£
Trade payables	4,311,652	6,244,863	-	-
Contract liabilities (note 16)	1,176,460	900,040	-	-
Amount owed to parent undertaking	72,518,350	46,338,688	-	-
Amounts owed to fellow group undertakings	3,922,225	25,572,132	-	-
Accruals	19,495,671	15,111,032	-	-
Deferred consideration	-	7,807,091	27,857,221	19,348,000
Social security and other taxation	10,125,869	13,282,568	-	-
Other payables	1,178,951	2,061,823	9,410	-
	<u>112,729,178</u>	<u>117,318,237</u>	<u>27,866,631</u>	<u>19,348,000</u>

The directors consider that the book value of trade creditors, accrued liabilities and contract liabilities approximate to their fair value at the date of the Statement of Financial Position.

Included in amounts owed to parent and group undertakings were loans as follows:

- Parent undertaking loans of £31,667,146 (2020: £32,198,908) which are subject to an interest charge of 1.1% - 3% above the 3-month or 6-month EURIBOR rate, calculated quarterly.
- Parent undertaking loans of £35,999,551 (2020: £28,000,000) which are subject to an interest charge of 1.8% above the 3-month LIBOR rate, calculated quarterly and repayable after a term of 7 years.
- Subsidiary undertaking loans subject to an interest charge of 2% above the Bank of England base rate calculated quarterly with no maturity date.

All other amounts owed to parent and group undertakings are unsecured and repayable on demand. There is a mixture of interest bearing and interest free liabilities within the 'Amounts owed to group undertakings'.

#### 24 Lease liabilities

	2021	2020
	£	£
<b>Maturity analysis</b>		
Within one year	3,063,489	2,236,508
In two to five years	12,267,192	12,465,822
In over five years	5,399,601	7,878,152
	<u>20,730,282</u>	<u>22,580,482</u>
Total undiscounted liabilities	20,730,282	22,580,482
Future finance charges and other adjustments	(1,701,940)	(2,206,540)
	<u>19,028,342</u>	<u>20,373,942</u>
Lease liabilities in the financial statements	19,028,342	20,373,942

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

#### 24 Lease liabilities

(Continued)

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021 £	2020 £
Current liabilities	2,588,185	1,708,974
Non-current liabilities	16,440,157	18,664,968
	<u>19,028,342</u>	<u>20,373,942</u>

Amounts recognised in profit or loss include the following:

	2021 £	2020 £
Interest on lease liabilities	529,264	564,366

The fair value of the company's lease obligations is approximately equal to their carrying amount.

Other leasing information is included in note 34.

#### 25 Deferred taxation

	2021 £	2020 £
Deferred tax liabilities	3,737,964	4,260,622
Deferred tax assets	(1,270,355)	(1,411,034)
	<u>2,467,609</u>	<u>2,849,588</u>

Deferred tax assets are expected to be recovered as follows:

- Within one year	365,692	644,610
- After more than one year	904,663	766,424

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting period.

# REPLY LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

25 Deferred taxation		(Continued)		
	ACAs	Tax losses	Amortisation of intangibles	Total
	£	£	£	£
Liability at 1 January 2020	47,520	-	1,398,900	1,446,420
<b>Deferred tax movements in prior year</b>				
Charge/(credit) to profit or loss	27,502	(1,126,594)	2,786,700	1,687,608
Liability at 1 January 2021	75,022	-	4,185,600	4,260,622
Asset at 1 January 2021	-	(1,411,034)	-	(1,411,034)
<b>Deferred tax movements in current year</b>				
Charge/(credit) to profit or loss	6,642	140,679	(529,300)	(381,979)
Liability at 31 December 2021	81,664	-	3,656,300	3,737,964
Asset at 31 December 2021	-	(1,270,355)	-	(1,270,355)

26 Retirement benefit schemes		2021	2020
Defined contribution schemes		£	£
Charge to profit or loss in respect of defined contribution schemes		2,914,367	2,179,809

Pension contributions are made by the group into employees defined contribution personal pension schemes. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable to the fund.

At the reporting date, pension contributions of the group included in creditors amounted to £517,945 (2020: £321,119).

27 Share capital		2021	2020	2021	2020
Ordinary share capital		Number	Number	£	£
<b>Authorised</b>					
Ordinary shares of 5p each		2,300,000	2,300,000	115,000	115,000
<b>Issued and fully paid</b>					
Ordinary shares of 5p each		1,083,490	1,083,490	54,175	54,175

There is a single class of ordinary shares which have equal rights, preferences and restrictions. There are no restrictions in relation to dividends and repayment of capital.

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 28 Share premium account

	2021 £	2020 £
At the beginning and end of the year	145,753	145,753

The share premium account, representing the premium on allotment of shares, is not available for distribution.

#### 29 Currency translation

	2021 £	2020 £
At the beginning of the year	77,166	-
Translation gain arising in the year	31,545	77,166
At the end of the year	108,711	77,166

Currency translation reserve arises when assets and liabilities of foreign companies with a functional currency other than sterling are translated on consolidation using the exchange rates in effect at the reporting date and when income and expenses are translated at the average exchange rate for the period. Translation differences resulting from the application of this method are classified as equity until the disposal of the investment.

#### 30 Retained earnings

	2021 £	2020 £
At the beginning of the year	40,789,643	34,700,304
Profit for the year	13,463,010	6,089,339
At the end of the year	54,252,653	40,789,643

The retained earnings represent total income and expense in the current and prior years attributable to equity holders of the parent, less, for example, cumulative dividends to shareholders.

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 31 Acquisitions of a business

On 23 December 2021 the group acquired 100 percent of the issued capital of G-Force Demco Group which comprised the following companies:

G-Force Demco Ltd (Holding company)  
Graymatter Reply Ltd (formerly Gray Matter Ltd)  
Arlanis Reply Ltd (formerly Forcology Ltd)

	Book Value	Adjustments	Fair Value
	£	£	£
<b>Net assets of business acquired</b>			
Property, plant and equipment	195,884	-	195,884
Trade and other receivables	1,716,438	-	1,716,438
Cash and cash equivalents	746,709	-	746,709
Trade and other payables	(1,879,245)	-	(1,879,245)
Tax liabilities	(129,463)	-	(129,463)
Deferred tax	(6,642)	-	(6,642)
Total identifiable net assets	<u>643,681</u>	<u>-</u>	<u>643,681</u>
Non-controlling interests			-
Goodwill			<u>8,654,235</u>
Total consideration			<u>9,297,916</u>
The consideration was satisfied by:			£
Cash			4,500,136
Deferred consideration			<u>4,797,780</u>
			<u>9,297,916</u>
<b>Net cash outflow arising on acquisition</b>			£
Cash consideration			4,500,136
Less: Cash and cash equivalents acquired			<u>(746,709)</u>
			<u>3,753,427</u>

Contribution by the acquired business for the reporting period included in the group statement of comprehensive income since acquisition:

	£
Revenue	-
Profit after tax	<u>-</u>

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 31 Acquisitions of a business

(Continued)

The goodwill arising on the acquisition of the business is attributable to the anticipated profitability of the distribution of the company's products in new markets and the future operating synergies from the combination.

On 8 July 2021, as part of a re-organisation following Brexit, the group acquired 100 percent of the issued capital of Availage Reply Ltd.

	Book Value	Adjustments	Fair Value
	£	£	£
<b>Net assets of business acquired</b>			
Property, plant and equipment	8,280	-	8,280
Trade and other receivables	1,321,462	-	1,321,462
Cash and cash equivalents	868,504	-	868,504
Trade and other payables	(190,508)	-	(190,508)
Deferred tax	136,963	-	136,963
Total identifiable net assets	<u>2,144,701</u>	<u>-</u>	<u>2,144,701</u>
Non-controlling interests			-
Goodwill			<u>201,429</u>
Total consideration			<u>2,346,130</u>
The consideration was satisfied by:			£
Cash			<u>2,346,130</u>
<b>Net cash outflow arising on acquisition</b>			£
Cash consideration			2,346,130
Less: Cash and cash equivalents acquired			<u>(868,504)</u>
			<u>1,477,626</u>
Contribution by the acquired business for the reporting period included in the group statement of comprehensive income since acquisition:			£
Revenue			(44,536)
Loss after tax			<u>70,206</u>

The goodwill arising on the acquisition of the business is attributable to the anticipated profitability of the company's services and the future operating synergies from the combination.

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 32 Business disposals

On 31 March 2021 the group disposed of its 100% holding in the below companies. Included in these financial statements are profits of £7,660,460 arising from the group's interests in the below companies up to the date of its disposal.

- [1] Avantage Reply (Luxembourg) S.à.r.l.
- [2] Avantage Reply (Netherlands) B.V.
- [3] Reply France S.A.S.
- [4] Avantage Reply (Belgium) S.p.r.l.
- [5] Reply Belgium S.A.
- [6] Sprint Reply S.A. (formerly Brightknight S.A.)

Net assets of business disposed of	£
Cash and cash equivalents	5,909,018
Goodwill	390,657
Property, plant and equipment	169,715
Trade and other receivables	11,389,561
Trade and other payables	(10,561,186)
Tax liabilities	(1,465,866)
Deferred tax	281,432
	<hr/>
	6,113,331
Gain on disposal	7,660,460
	<hr/>
Total consideration	13,773,791
	<hr/> <hr/>
The consideration was satisfied by:	£
Cash	13,773,791
	<hr/>
	13,773,791
	<hr/> <hr/>
Net cash inflow arising on disposal	£
Cash consideration received	13,773,791
Cash and cash equivalents disposed of	(5,909,018)
	<hr/>
	7,864,773
	<hr/> <hr/>

#### 33 Contingent liabilities

The group has an unlimited inter-company guarantee in favour of RBS Bank plc.

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 34 Other leasing information

##### Lessee

Details of the more significant leases at the reporting date are as follows:

38 Grosvenor Gardens lease commenced on 18 November 2010 and is 20 years in length with rent reviews on 5-year anniversaries based upon open market value. The group has the right to renew the lease at the end of the term.

28-30 Grosvenor Gardens lease commenced on 29 September 2014 and is 10 years in length with rent reviews on the 5-year anniversary date based on open market value. The group does not have the right to renew the lease at the end of the term.

The Nova lease commenced on 1 June 2017 and is 18 years in length with rent reviews on 5-year anniversaries based upon open market value and a break clause after year 10. The group has the right to renew the lease at the end of the term.

In respect of all of the above leases, the group does not have an option to purchase the lease. There are no restrictions imposed by the lease in respect of making dividend payments, entering loan agreements or additional lease agreements.

Amounts recognised in profit or loss as an expense during the period in respect of lease arrangements are as follows:

	2021	2020
	£	£
Expense relating to short-term leases	976,906	1,082,860

Information relating to lease liabilities is included in note 24.

#### 35 Capital risk management

The company has financial support from its parent undertaking so has no need to formally monitor capital management KPI's. The company manages its capital structure in line with support from its parent undertaking and changes to the capital structure are made with the approval of its parent undertaking.

The group is not subject to any externally imposed capital requirements.

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 36 Events after the reporting date

Despite the complexity of worldwide affairs since the reporting date, Reply has further consolidated its leadership in new technologies and digital transformation and investing in new skills.

In particular, Reply has worked alongside key customers with projects aimed not only at helping them overcome the worldwide health crisis more quickly, but also at seizing new business opportunities brought by a much more digital, connected and automated world. The paths of evolution are numerous and touch all sectors. For example, artificial intelligence, robotics and the Internet of Things are revolutionising not only products, but also the way they are conceived, manufactured and sold, significantly changing factories, production processes and entire value chains.

Sustainability is impacting all sectors: a concept that today is still often abstract, but has become increasingly predominant in the choices of companies. As Reply we feel this responsibility towards future generations and, although belonging to a sector with low environmental impact, our commitment is total, both in working to minimise our emissions in the future, and in defining a series of consulting and technological services able to support companies in a process of transition to net-zero.

Finally, 2022 characterised by the crisis on eastern European borders, resulting in a war that is putting a strain on the economy, civil society and the very stability of economic systems. In this regard, it should be noted that the organisational structure (including the ecosystem of suppliers), the financial solidity of the wider Reply S.p.A. Group, including the diversification of the business in various countries, markets and industrial sectors, has allowed, to date, to absorb all the indirect effects, thanks to the implementation of local actions aimed at minimising the impacts on operating activities.

#### 37 Related party transactions

The company has taken advantage of the exemption under IAS 24, 'Related party disclosures' not to disclose transactions with its parent undertaking and fellow wholly owned subsidiaries.

The following transactions took place with other related parties which are unsecured, interest-free and repayable on demand unless where indicated otherwise:

	Rent paid	
	2021	2020
	£	£
Other related parties	350,235	350,235

The following amounts were outstanding at the reporting end date:

	2021	2020
	£	£
Amounts due to related parties		
Other related parties	105,070	105,070

## REPLY LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 38 Controlling party

The ultimate parent undertaking is Iceberg Srl, a company incorporated in Italy with legal office in Turin, Corso Francia no. 110 This is the largest group of undertakings for which consolidated financial statements are prepared and of which the company is a member.

The immediate parent company and smallest group of undertakings for which consolidated financial statements are prepared and of which the company is a member is Reply S.p.A. Copies of the largest and smallest group financial statements are available from Corso Francia 110, 10143 Turin, Italy

#### 39 Cash generated from operations

	2021	2020
	£	£
<i>Profit before income tax from:</i>		
Continuing operations	14,506,037	5,382,704
Discontinued operations	620,099	31,898
	<u>15,126,136</u>	<u>5,414,602</u>
<b>Adjustments for:</b>		
Finance costs	2,036,032	1,432,964
Investment income	(72,425)	(26,505)
Loss on disposal of property, plant and equipment	343	9,848
Gain on disposal of business	(8,280,559)	-
Amortisation and impairment of intangible assets	2,752,500	2,752,500
Depreciation and impairment of property, plant and equipment	4,485,021	4,233,707
Change in other assets and liabilities	(4,797,780)	-
<b>Movements in working capital:</b>		
(Increase)/decrease in contract assets	(1,829,159)	2,107,677
Increase in trade and other receivables	(5,322,972)	(5,448,022)
Increase/(decrease) in contract liabilities	276,420	(3,916,564)
Increase in trade and other payables	3,653,152	40,024,801
	<u>8,026,709</u>	<u>46,585,008</u>
<b>Cash generated from operations</b>	<u><u>8,026,709</u></u>	<u><u>46,585,008</u></u>

## REPLY LIMITED

### COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
<b>Non-current assets</b>			
Property, plant and equipment	44	18,150,034	20,693,025
Investments	45	114,245,887	100,124,345
Deferred tax asset	52	365,692	365,692
		<u>132,761,613</u>	<u>121,183,062</u>
<b>Current assets</b>			
Trade and other receivables	47	27,184,831	20,240,377
Current tax recoverable		1,497,235	978,195
Cash and cash equivalents		5,961,245	13,607,978
		<u>34,643,311</u>	<u>34,826,550</u>
<b>Current liabilities</b>			
Trade and other payables	50	102,838,354	111,421,911
Borrowings	48	1,202,517	1,186,403
Lease liabilities	51	2,149,849	1,256,178
		<u>106,190,720</u>	<u>113,864,492</u>
<b>Net current liabilities</b>		<u>(71,547,409)</u>	<u>(79,037,942)</u>
<b>Non-current liabilities</b>			
Trade and other payables	50	27,857,221	19,348,000
Lease liabilities	51	15,607,343	17,587,292
		<u>43,464,564</u>	<u>36,935,292</u>
<b>Net assets</b>		<u>17,749,640</u>	<u>5,209,828</u>
<b>Equity</b>			
Called up share capital	53	54,175	54,175
Share premium account		145,753	145,753
Retained earnings		17,549,712	5,009,900
<b>Total equity</b>		<u>17,749,640</u>	<u>5,209,828</u>

The notes on pages 55 to 63 form part of these parent financial statements.

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's profit for the year was £12,539,812 (2020 - £2,056,384 loss).

**REPLY LIMITED**

**COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**AS AT 31 DECEMBER 2021**

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The financial statements were approved by the board of directors and authorised for issue on .....<sup>28-02-2023</sup>..... and are signed on its behalf by:



Mrs F Rebuffat  
**Director**

Company registration number 03847202 (England and Wales)

## REPLY LIMITED

### COMPANY STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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	Share capital	Share premium account	Retained earnings	Total
	£	£	£	£
<b>Balance at 1 January 2020</b>	54,175	145,753	7,066,284	7,266,212
<b>Year ended 31 December 2020:</b>				
Loss and total comprehensive income for the year	-	-	(2,056,384)	(2,056,384)
<b>Balance at 31 December 2020</b>	<u>54,175</u>	<u>145,753</u>	<u>5,009,900</u>	<u>5,209,828</u>
<b>Year ended 31 December 2021:</b>				
Profit and total comprehensive income for the year	-	-	12,539,812	12,539,812
<b>Balance at 31 December 2021</b>	<u>54,175</u>	<u>145,753</u>	<u>17,549,712</u>	<u>17,749,640</u>

The notes on pages 55 to 63 form part of these parent financial statements.

# REPLY LIMITED

## COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
<b>Cash flows from operating activities</b>					
Cash (absorbed by)/generated from operations	54		(2,951,136)		31,772,689
Interest paid			(1,853,523)		(1,684,197)
Income taxes refunded			56,715		502,075
<b>Net cash (outflow)/inflow from operating activities</b>			<b>(4,747,944)</b>		<b>30,590,567</b>
<b>Investing activities</b>					
Purchase of property, plant and equipment		(749,242)		(354,988)	
Proceeds from disposal of subsidiaries		(7,807,541)		-	
Proceeds from disposal of investments		7,051,827		(20,974,303)	
Interest received		2,194		26,264	
<b>Net cash used in investing activities</b>			<b>(1,502,762)</b>		<b>(21,303,027)</b>
<b>Financing activities</b>					
Payment of lease liabilities		(1,269,882)		(1,176,569)	
<b>Net cash used in financing activities</b>			<b>(1,269,882)</b>		<b>(1,176,569)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>			<b>(7,520,588)</b>		<b>8,110,971</b>
Cash and cash equivalents at beginning of year			12,421,575		4,182,305
Effect of foreign exchange rates			(142,259)		128,299
Cash and cash equivalents at end of year			<u>4,758,728</u>		<u>12,421,575</u>
<b>Relating to:</b>					
Bank balances and short term deposits			5,961,245		13,607,978
Bank overdrafts			(1,202,517)		(1,186,403)

The notes on pages 55 to 63 form part of these parent financial statements.

## REPLY LIMITED

### NOTES TO THE COMPANY FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 40 Accounting policies - Company

##### **Company information**

Reply Limited is a private company limited by shares incorporated in England and Wales. The registered office is 38 Grosvenor Gardens, London, SW1W 0EB. The company's principal activities and nature of its operations are disclosed in the directors' report.

##### **40.1 Accounting convention**

The parent company's financial statements are prepared in accordance with United Kingdom Accounting Standards, in particular Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the Standard, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition measurement and disclosure requirements of UK-adopted international accounting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- the requirements of paragraph 17 of IAS 24 'Related Party Transactions', to disclose information related to key management personnel, and the requirements of IAS 24 to disclose related party transactions between two or more members of a group for wholly owned subsidiaries;
- the requirements of paragraphs 30 and 31 of IAS 8 to disclose information assessing the possible impact of new standards issued but which are not yet effective;
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 to disclose information about share-based payments;
- the requirements of IFRS 7 and IFRS 13 for disclosure of financial instruments and fair values.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The company applies accounting policies consistent with those applied by the group. To the extent that an accounting policy is relevant to both group and parent company financial statements, please refer to the group financial statements for disclosure of the relevant accounting policy.

##### **40.2 Going concern**

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing the financial statements. Financial support by Reply S.p.A has been confirmed for a period of not less than 12 months from the date of signing these financial statements.

##### **40.3 Finance costs**

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### **41 Adoption of new and revised standards and changes in accounting policies - Company**

There were no new standards, amendments or interpretations affecting the company in the financial year.

## REPLY LIMITED

### NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 42 Critical accounting estimates and judgements - Company

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

##### Key sources of estimation uncertainty

##### Assessment of impairment of investments:

Investments are tested for impairment usually annually or more frequently, whenever there is an indication that the asset may be impaired. An impairment occurs when the carrying amount is less than the recoverable amount. The recoverable amount of an asset is the higher of fair value, less disposal costs, and its value in use. In assessing its value in use, the pre-tax estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The process of determining a fair value and value in use inherently requires the use of estimates which cannot be assessed with certainty and any variation between the current estimate and actual figures will affect the value of the impairment.

##### Assessment of deferred consideration

Costs of acquisitions and business combinations in the year are included in investments in the Statement of Financial Position and comprise the initial consideration paid/payable plus best estimate of future considerations for earn-outs in relation to the original signed contracts determined at the date of the acquisition. Adjustments to the earn-outs are taken to the profit and loss account in accordance with IFRS 3 Business combinations.

##### Assessment of the value of revenue

Assessment of the value of revenue in respect of long-term contracts and contracts for ongoing services is calculated based on the percentage completion on fixed price contracts. Percentage complete is calculated by reference to actual man months worked as a percentage of the total estimated man months to completion.

#### 43 Employees - Company

The average monthly number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
Directors	6	6
Administration, sales and management	64	50
Consultants	295	241
	<hr/>	<hr/>
Total	365	297
	<hr/> <hr/>	<hr/> <hr/>

## REPLY LIMITED

### NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 43 Employees - Company

(Continued)

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	27,887,452	22,096,226
Social security costs	3,531,983	3,117,889
Pension costs	958,734	757,790
	<u>32,378,169</u>	<u>25,971,905</u>

The directors comprise the key management personnel of the company in both the current and previous year.

A number of the directors of the company are also directors of other group undertakings and their remuneration is paid by Reply S.p.A. The directors do not believe it is practicable to apportion an amount between their services as directors of the company and their services as directors of other group undertakings.

During the year, two directors (2020: two) were provided with accommodation in the UK by Reply Limited. There were no directors pension contributions (2020: nil).

#### 44 Property, plant and equipment - Company

	Leasehold land and buildings	Fixtures and fittings	Computers	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2020	25,652,750	1,059,332	819,928	36,160	27,568,170
Additions	1,037,110	-	181,952	28,714	1,247,776
At 31 December 2020	26,689,860	1,059,332	1,001,880	64,874	28,815,946
Additions	195,164	440,364	270,884	26,434	932,846
Disposals	-	-	(60,136)	-	(60,136)
At 31 December 2021	26,885,024	1,499,696	1,212,628	91,308	29,688,656
<b>Accumulated depreciation and impairment</b>					
At 1 January 2020	3,722,874	535,625	527,036	3,121	4,788,656
Charge for the year	2,898,254	212,246	205,257	18,508	3,334,265
At 31 December 2020	6,621,128	747,871	732,293	21,629	8,122,921
Charge for the year	3,004,923	252,169	188,243	30,520	3,475,855
Eliminated on disposal	-	-	(60,154)	-	(60,154)
At 31 December 2021	9,626,051	1,000,040	860,382	52,149	11,538,622

# REPLY LIMITED

## NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 44 Property, plant and equipment - Company (Continued)

	Leasehold land and buildings	Fixtures and fittings	Computers	Motor vehicles	Total
	£	£	£	£	£
<b>Carrying amount</b>					
At 31 December 2021	17,258,973	499,656	352,246	39,159	18,150,034
At 31 December 2020	20,068,732	311,461	269,587	43,245	20,693,025

Property, plant and equipment includes right-of-use assets, as follows:

Right-of-use assets	2021	2020
	£	£
<b>Net values at the year end</b>		
Property	13,976,298	16,507,786
Computers	-	7,490
Motor vehicles	39,159	43,245
	<u>14,015,457</u>	<u>16,558,521</u>
<b>Depreciation charge for the year</b>		
Property	2,688,658	2,608,389
Computers	7,508	26,359
Motor vehicles	30,520	18,508
	<u>2,726,686</u>	<u>2,653,256</u>

The total cash outflow relating to right of use leases in the period amounted to £1,764,164 (FY2020: £1,694,782)

### 45 Investments - Company

	Current		Non-current	
	2021	2020	2021	2020
	£	£	£	£
Investments in subsidiaries	-	-	86,388,666	72,969,254
Other investments	-	-	27,857,221	27,155,091
	<u>-</u>	<u>-</u>	<u>114,245,887</u>	<u>100,124,345</u>

## REPLY LIMITED

### NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 45 Investments - Company

(Continued)

##### Additions during the year

Additions in the year comprised:

- (a) £9,297,916 - G-Force Demco Group comprising (G-Force Demco Limited, Gray Matter Limited and Forcology Limited)
- (b) £2,346,130 - Avantage Reply Limited
- (c) £1,095,352- being price adjustment in respect of Mansion House Consulting Limited

The latest accounts available for Avantage Reply Limited, Graymatter Reply Limited (formerly Gray Matter Limited) and Arlanis Reply Limited (formerly Forcology Limited) are those for period ended 31 December 2021. The first accounts for G-Force Demco Limited will be those for period ended 31 December 2022.

##### Fair value of financial assets carried at amortised cost

The fair value of financial assets and financial liabilities are estimated for recognition and measurement and for disclosure purposes. The carrying value of cash, accounts receivable, other receivables and accounts payable approximate to their fair values due to their short term nature.

##### Investment in subsidiary undertakings

Details of the company's principal operating subsidiaries are included in note 15.

##### Movements in non-current investments

	Shares in subsidiaries £	Deferred consideration £	Total £
<b>Cost or valuation</b>			
At 1 January 2021	72,969,254	27,155,091	100,124,345
Additions	7,941,618	4,797,780	12,739,398
Valuation changes	134,236	3,711,441	3,845,677
Deferred consideration paid	7,807,091	(7,807,091)	-
Disposals	(2,463,533)	-	(2,463,533)
At 31 December 2021	86,388,666	27,857,221	114,245,887
<b>Carrying amount</b>			
At 31 December 2021	86,388,666	27,857,221	114,245,887
At 31 December 2020	72,969,254	27,155,091	100,124,345

#### 46 Contracts with customers - Company

	31/12/2021 £	31/12/2020 £	01/01/2020 £
<b>Contracts in progress</b>			
Contract assets	3,133,630	1,613,690	2,064,067
Contract liabilities	(887,873)	(595,053)	(560,921)

## REPLY LIMITED

### NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 47 Trade and other receivables - Company

	2021	2020
	£	£
Trade receivables	12,711,897	9,705,422
Contract assets (note 46)	3,133,630	1,613,690
Amount owed by parent undertaking	2,423,912	947,458
Amounts owed by fellow group undertakings	7,000,000	5,906,091
Other receivables	720,586	968,591
Prepayments	1,194,806	1,099,125
	<u>27,184,831</u>	<u>20,240,377</u>

In the comparative year £1,613,690 has been reclassified from prepayments to contract assets.

No interest is charged on overdue receivables. There is no material difference between the fair value of receivables and their book value.

Amounts owed by group undertakings are unsecured, interest-free and repayable on demand.

#### 48 Borrowings - Company

	2021	2020
	£	£
<b>Borrowings held at amortised cost:</b>		
Bank overdrafts	<u>1,202,517</u>	<u>1,186,403</u>

The bank overdraft is subject to an interest charge of 2% above Bank of England base rate and is repayable on demand.

#### 49 Fair value of financial liabilities - Company

The directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

## REPLY LIMITED

### NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 50 Trade and other payables - Company

	Current		Non-current	
	2021	2020	2021	2020
	£	£	£	£
Trade payables	1,346,580	3,698,574	-	-
Contract liabilities (note 46)	887,873	595,053	-	-
Amount owed to parent undertaking	72,518,350	66,716,674	-	-
Amounts owed to fellow group undertakings	19,319,446	22,701,211	-	-
Accruals	7,444,265	4,465,371	-	-
Deferred consideration	-	7,807,091	27,857,221	19,348,000
Social security and other taxation	1,197,318	5,200,174	-	-
Other payables	124,522	237,763	-	-
	<u>102,838,354</u>	<u>111,421,911</u>	<u>27,857,221</u>	<u>19,348,000</u>

In the comparative year £595,053 has been reclassified from accruals to contract liabilities.

Included in amounts owed to parent and group undertakings were loans as follows:

- Parent undertaking loans of £31,667,146 (2020: £32,198,908 ) which are subject to an interest charge of 1.1% - 3% above the 3-month or 6-month EURIBOR rate, calculated quarterly.
- Parent undertaking loans of £35,999,551 (2020: £28,000,000) which are subject to an interest charge of 1.8% above the 3-month LIBOR rate, calculated quarterly and repayable after a term of 7 years.
- Subsidiary undertaking loans subject to an interest charge of 2% above the Bank of England base rate calculated quarterly with no maturity date.

All other amounts owed to group undertakings are unsecured and repayable on demand. There is a mixture of interest bearing and interest free liabilities within 'Amounts owed to group undertakings'.

#### 51 Lease liabilities

	2021	2020
	£	£
<b>Maturity analysis</b>		
Within one year	2,604,696	1,748,717
In two to five years	11,401,590	11,347,987
In over five years	5,399,601	7,878,152
	<u>19,405,887</u>	<u>20,974,856</u>
Total undiscounted liabilities	19,405,887	20,974,856
Future finance charges and other adjustments	(1,648,695)	(2,131,386)
	<u>17,757,192</u>	<u>18,843,470</u>
Lease liabilities in the financial statements	17,757,192	18,843,470

## REPLY LIMITED

### NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 51 Lease liabilities

(Continued)

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021	2020
	£	£
Current liabilities	2,149,849	1,256,178
Non-current liabilities	15,607,343	17,587,292
	<u>17,757,192</u>	<u>18,843,470</u>

38 Grosvenor Gardens lease commenced on 18 November 2010 and is 20 years in length with rent reviews on 5-year anniversaries based upon open market value. The company has the right to renew the lease at the end of the term.

28-30 Grosvenor Gardens lease commenced on 29 September 2014 and is 10 years in length with rent reviews on the 5-year anniversary date based on open market value. The company does not have the right to renew the lease at the end of the term.

The Nova lease commenced on 1 June 2017 and is 18 years in length with rent reviews on 5-year anniversaries based upon open market value and a break clause after year 10. The company has the right to renew the lease at the end of the term.

In respect of all of the above leases, the company does not have an option to purchase the lease. There are no restrictions imposed by the lease in respect of making dividend payments, entering loan agreements or additional lease agreements.

#### 52 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Tax losses
	£
Balance at 1 January 2020	-
<b>Deferred tax movements in prior year</b>	
Charge/(credit) to profit or loss	(365,692)
Asset at 1 January 2021 and 31 December 2021	<u>(365,692)</u>

#### 53 Share capital - Company

Refer to note 27 of the group financial statements.

## REPLY LIMITED

### NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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54 Cash (absorbed by)/generated from operations - Company	2021	2020
	£	£
Profit/(loss) for the year after tax	12,827,133	(2,422,076)
<b>Adjustments for:</b>		
Finance costs	2,270,992	1,684,197
Investment income	(18,777)	(26,264)
Depreciation and impairment of property, plant and equipment	3,475,855	3,334,265
Foreign exchange gains on cash equivalents	142,259	(128,299)
<b>Movements in working capital:</b>		
(Increase)/decrease in contract assets	(1,519,940)	450,377
Increase in trade and other receivables	(14,024,982)	(32,814,114)
Increase in contract liabilities	292,820	34,132
(Decrease)/increase in trade and other payables	(6,396,496)	61,660,471
<b>Cash (absorbed by)/generated from operations</b>	<u>(2,951,136)</u>	<u>31,772,689</u>